

TABLE OF CONTENTS

	PAGE
EXECUTIVE SUMMARY Click Here To View	i
INTRODUCTION	1
BACKGROUND	2
Factors Governing Overtime	2
Paid Overtime	2
Comp-Time Off	3
Unfunded Liability	3
Causes: Discretionary vs. Mandated	5
Compensated Absences	5
Accomplishments Regarding Overtime Management	7
SCOPE AND METHODOLOGY	8
Source Of Data	8
Data For Transferred Employees	9
Estimate Of Overtime Hours Worked For Comp-Time	10
Estimated Value Of Comp-Time Hours Worked	10
Calculation Of Percentage Used For Analysis	11
Survey Of Other Jurisdictions	11
FINDING I	
IN 1991 NEARLY ALL STATISTICAL INDICATORS	
OF CITY-WIDE OVERTIME EXPENDITURES WERE	
DOWN WHEN COMPARED TO 1990	12
In 1991, All Pertinent Overtime Statistics	
Decreased When Compared To 1990	13
In 1991, Paid Overtime Decreased \$901,325, Comp-Time Earned	

Decreased \$423,877, And Total Overtime Decreased \$1,325,202 Compared To 1990	14
In 1991, The Police Department Had The Highest Percentage Of Overtime To Base Pay	16
In 1991, The Top 500 City Overtime Earners Worked 28,248 Fewer Hours And Earned \$513,112 Less In Overtime Than In 1990	18
In 1991, The Number Of Employees Who Earned 40 Percent Or More Of Their Base Pay In Overtime Decreased From 39 In 1990 To 23	20
The City's End-Of-Year 1991 Comp-Time Liability Was \$7,003,060--2 Percent Less Than 1990	22
The City Manager's Second Quarterly Overtime Report Had A \$183,101 Error	25
CONCLUSION	28
RECOMMENDATION	28
OTHER PERTINENT INFORMATION	29
ADMINISTRATION'S RESPONSE Click Here To View	32
APPENDIX A Click Here To View DEFINITION OF PRIORITY 1, 2, AND 3 AUDIT RECOMENDATIONS.....	A-1
APPENDIX B Click Here To View HIGHEST 500 INDIVIDUAL OCCURENCES OF OVERTIME IN 1991	B-1
APPENDIX C Click Here To View HIGHEST 500 INDIVIDUAL COMP-TIME BALANCES AT THE END OF 1991	C-1
APPENDIX D Click Here To View DESCRIPTION OF THE EIGHT MOST SIGNIFICANT CAUSES OF POLICE DEPARTMENT OVERTIME IN 1987-88.....	D-1

APPENDIX E

[Click Here To View](#)

**STATUS OF RECOMMENDATIONS FROM
THE CITY AUDITOR'S AUDIT OF THE POLICE
DEPARTMENT OVERTIME CONTROLS.....E-1**

APPENDIX F

[Click Here To View](#)

**EXCERPT FROM SAN FRANCISCO
ADMINISTRATIVE CODE REGARDING
MAXIMUM PERMISSIBLE OVERTIMEF-1**

INTRODUCTION

In accordance with the City Auditor's 1991-92 Audit Workplan, we have reviewed and reported on the City's overtime expenditures.

With the City's current budget constraints and the ever-pressing demand for City services, overtime has become an increasingly critical issue. Recent City hiring restrictions have increased work load pressures on many City programs. As a result, overtime has, in some instances, become a short-term remedy with potentially costly long-term financial implications. The information in this report should provide an understanding of the magnitude of the City's overtime situation and its potential financial implications.

BACKGROUND

Factors Governing Overtime

The City's overtime situation involves a number of complex factors which require employees to work hours in excess of the normal work schedule. Legal and contractual requirements govern the application of overtime rules. The specific terms addressing overtime may vary for each of the 11 employee representation units. In addition, the terms in a memorandum of agreement (MOA) may differ from the provisions of the federal Fair Labor Standards Act (FLSA). Different operating environments throughout the City also create additional variables to be considered when examining overtime. For the purpose of this analysis, we will use the most generally applicable rules to avoid becoming too technical and detailed. However, when necessary, we will provide additional information in order to facilitate a more complete understanding of an overtime issue.

Compensation for hours worked in excess of normally scheduled hours is usually handled in one of three ways: 1) paid overtime, 2) compensatory time (comp-time), or 3) executive leave. This study does not address executive leave since it is a unique subject not commonly associated with the City's overtime costs.

Paid Overtime

Overtime is generally compensated at a rate of one and one-half times the employee's hourly rate for each hour of overtime worked. Under certain

circumstances, an employee is paid twice his or her hourly rate for overtime hours worked in excess of 12 continuous work hours. The payment of overtime is governed by the related MOA, FLSA regulations, and the City's budget restrictions. The total amount of overtime that a Department or program can pay is set forth in the City's operating budget and is shown as a separate line item in the City's accounting system. Subject to FLSA restrictions, budget considerations, and contractual provisions, employees may either request payment for the overtime or receive credit for comp-time.

Comp-Time Off

Instead of receiving an additional payment for overtime worked, an employee may be compensated by being allowed to take paid time off at a later date. In most instances, an employee will receive one and one-half hours of comp-time off for every hour of overtime worked. Other variations exist depending on FLSA regulations, the specific situation, and the related MOA.

Unfunded Liability

Comp-time is essentially a credit for overtime worked that is to be taken off or paid off usually not later than one year after it is worked. Therefore, comp-time may or may not result in an actual additional cost to the City. In those instances where an employee is able to take comp-time off without other employees having to work overtime in order to cover for the employee, there is no direct additional cost to the City. However, if the

absorption of the employee's duties by other employees or minimum staffing requirements in the International Association of Fire Fighters' agreement creates the need for additional overtime, then an additional cost or liability is created. Comp-time is usually required to be paid off if the comp-time cannot be used within one year of occurrence. When this occurs, the cost of comp-time essentially is realized one year after the liability is incurred.

For employees represented by the Peace Officers Association (POA), the comp-time hours remain credited to the employee until taken off or the employee terminates or retires. Many Police Department employees have accumulated significant comp-time balances (as discussed later in this report). This prolonged accumulation of comp-time creates a substantial unfunded liability for the City since the costs for this overtime are not provided for on an on-going basis in the Department's operating budget. At some point in the future, when the employee retires or terminates or the Administration decides to reduce the liability, the City will be required to pay off these comp-time liabilities. Further, since currently accumulated comp-time hours will most likely be paid off several years from now, the ultimate cost to the City could be substantially higher because of ensuing employee promotions or pay increases. Specifically, when an employee represented by the POA retires or otherwise terminates, the City will pay off the employee for his or her accumulated comp-time hours at his or her hourly pay rate at the time of termination. The City makes this payment regardless of when the employee earned the comp-time or what his or her hourly pay rate was at the time the comp-time was earned. These additional costs may significantly impact future funding of City operations.

Causes: Discretionary vs. Mandated

Within the City's operations, there are many circumstances resulting in overtime. Generally, overtime occurs when an employee has to work additional hours in order to accomplish certain job tasks. In addition to this form of overtime, there are some instances of mandated overtime. Examples of mandated overtime include:

1. Standby-Pay - Certain MOAs require overtime be paid to employees that remain available to respond to emergencies while off duty. This overtime can be compensated by paid overtime or comp-time depending on the provision in the particular MOA. To a certain extent, this overtime can be measured and adequately provided for in the budget.
2. Fire Department Minimum Staffing - The International Association of Fire Fighters' MOA requires a minimum staffing level per piece of equipment. To comply with this requirement, the Fire Department may be required to enlist an employee to work overtime to fulfill the staffing requirement.

It should be noted that mandated overtime is not directly controllable in every case within the current framework of the City's working environment.

Compensated Absences

In May 1990, the Governmental Accounting Standards Board (GASB) issued Statement Number 11, “Measurement Focus and Basis of Accounting - Governmental Fund Operating Statements.” Statement Number 11 has an implementation date of July 1, 1994, and includes a change in the way the City must report accrued vacation, sick leave, and compensated absence time, including comp-time.

Among other things, GASB Statement Number 11 requires that “*Compensated absences for other than sick leave should be recognized as expenditures when the benefits are earned [emphasis added] by the employees.*”

Previously, GASB only required recognition of those compensated absences that would be liquidated with expendable available financial resources--in other words, what the City expected to pay within one fiscal year.

GASB Statement Number 11 can have a significant impact on the City of San Jose given the large dollar amount of City-wide accumulated comp-time. Specifically, if GASB Statement Number 11 was in effect, the City would have to recognize a liability and a one-time charge of approximately \$7,003,000 in compensated absences on its financial statements for the General Fund and other appropriate funds as of the end of payroll year 1991. Each year thereafter, adjustments would have to be recorded to reflect any increase or decrease in unpaid compensated absences.

It should be noted that GASB intends to perform more research in this area prior to the July 1, 1994, effective date.

Accomplishments Regarding Overtime Management

On February 12, 1992, the City Manager's Office issued a memorandum to the City Council on overtime management efforts. This memorandum states that in August 1991 the City Administration implemented a new reporting system on overtime. This system includes enhanced automated reports to departments, monthly reporting to the City Manager's Office by department heads, and quarterly reports to the City Council. The quarterly reports to the City Council include information on overtime worked for pay and for comp-time off, compare departmental estimates of overtime usage to actual experience, and provide information on the comp-time liability year to date, along with the projected annual dollar value of the City's overtime liability. To date, two quarterly reports have been issued on overtime.

SCOPE AND METHODOLOGY

Source Of Data

For our review of the City's use of overtime, we analyzed payroll data for City payroll years 1987 through 1991. With the assistance of the City's Information Systems, Finance, and Human Resources Departments, we were able to extract, review, and summarize selected pertinent overtime information using Datatrieve programs. Our review does not include the Redevelopment Agency as their payroll is prepared by an outside firm called Automatic Data Processing.

For this review we extracted data in the City's payroll system pertaining to overtime worked for both pay and compensatory time (comp-time). Both types of overtime data must be collectively analyzed for a complete picture of the City's overtime situation. In addition, we reviewed data on the City's liability for employee comp-time balances and reconciled the information obtained to the City's payroll records.

To achieve the objectives discussed above, we relied on computer-generated data. We reviewed the procedures the City's independent outside auditors performed on the City's payroll during their annual financial audit. In addition, we performed calculations and established certain premises to satisfy ourselves as to the validity and reliability of the computer-generated payroll information. Based upon the above procedures, we are satisfied that the computer-generated information in this report is valid and reliable.

During the course of our review, we noted an area that is beyond the scope of this review but is pertinent to the broader issue of the City's payroll process. This area is the resolution of vacation and comp-time for employees retiring or terminating from City employment. We noted that the Payroll Section of the Finance Department is not informed, on a timely basis, of when a City employee is retiring or terminating. As a result, the Payroll Section is unable to add the net amount of vacation and/or comp-time the City owes the employee or deduct the net amount the employee owes the City when the employee receives his or her final paycheck.

The City Auditor's Office will investigate this matter further and report any results to the Finance Committee at a later date.

Data For Transferred Employees

Data on employees who transferred during the year may slightly distort the department totals shown in this report. When an employee transfers from one City department to another, any paid overtime or comp-time for that employee is also transferred. We accumulated departmental overtime data based on those employees working in the department at the end of the year. Therefore, it is possible that the overtime shown for an employee in one department was really worked in another department and vice versa. In our opinion, this factor should have only a minor effect on a department's overall overtime data.

Estimate Of Overtime Hours Worked For Comp-Time

The City's payroll system accumulates the hours credited for comp-time in lieu of paid overtime, but does not accumulate the number of overtime hours actually worked for the comp-time. In most instances, employees are credited with one and one-half hours of comp-time for each hour of overtime worked. However, in some cases, the employee may be credited with comp-time at either straight time or double time. For example, employees who are normally scheduled for a day off on a City-recognized, paid holiday are credited with comp-time equal to the number of hours normally scheduled for a work day. This results in an employee essentially receiving a substitute day off at a later date. Further, for some employees, overtime worked in excess of 12 continuous hours is compensated at double time for either pay or comp-time hours. The payroll system does not differentiate between comp-time hours for these situations versus normal comp-time situations. Accordingly, because we estimated the number of comp-time hours worked by dividing comp-time hours credited by 1.5, our estimate will be off to the extent double or straight time comp-time hours

Estimated Value Of Comp-Time Hours Worked

We estimated the value of comp-time by applying the respective employee's hourly rate to the employee's number of comp-time hours credited. By combining our estimate of the value of overtime worked for comp-time with the actual overtime paid, we were able to estimate the total value of the overtime incurred during the year.

Calculation Of Percentage Used For Analysis

To provide a basis for comparing each department's overtime occurrences, we calculated a percentage of the department's overtime value to its regular pay exclusive of payments made to contract employees. By using this percentage as an indicator of the level of overtime occurrence, any differences in department sizes should be addressed. In addition, the use of this percentage of overtime to regular pay also standardizes comparisons among employees with varying rates of pay.

Survey Of Other Jurisdictions

In addition to analyzing the City's overtime costs and liabilities, we surveyed other jurisdictions to find out how they budget and control their overtime. The Other Pertinent Information section of this report summarizes the results of our survey.

FINDING I

IN 1991 NEARLY ALL STATISTICAL INDICATORS OF CITY-WIDE OVERTIME EXPENDITURES WERE DOWN WHEN COMPARED TO 1990

Our review of City-wide overtime in 1991 revealed the following:

- All pertinent overtime statistics decreased when compared to 1990;
- Paid overtime decreased \$901,325, comp-time earned decreased \$423,877, and total overtime decreased \$1,325,202 compared to 1990;
- The Police Department had the highest percentage of overtime to base pay;
- The top 500 City overtime earners worked 28,248 fewer hours and earned \$513,112 less in overtime than in 1990;
- The number of employees who earned 40 percent or more of their base pay in overtime decreased from 39 in 1990 to 23;
- The City's end-of-year comp-time liability was \$7,003,060--2 percent less than 1990; and
- The City Manager's Second Quarterly Overtime Report had a \$183,101 error.

In our opinion, the Administration should either use the computer programs the City Auditor's Office uses to produce its overtime reports, or develop guidelines for payroll reporting units to follow when reporting on overtime. By so doing, the Administration will improve the efficiency and accuracy of its quarterly overtime reporting process.

**In 1991, All Pertinent Overtime Statistics
Decreased When Compared To 1990**

For 1991, City employees worked 573,040 hours for overtime and earned overtime valued at \$13,854,024. This is 13 percent fewer hours for overtime than the 656,823 hours City employees worked in 1990 and 9 percent less than the \$15,179,226 worth of overtime City employees earned in 1990.

Table I compares pertinent overtime statistics for 1987 through 1991.

TABLE I
COMPARISON OF PERTINENT OVERTIME STATISTICS
FOR THE YEARS 1987 THROUGH 1991

<u>Overtime Item</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
Total Paid Overtime Hours	175,644	186,888	201,369	253,387	210,803
% Increase (Decrease)		6%	8%	26%	(17%)
Total Comp-Time Hours Credited	343,521	322,838	375,010	403,436	362,237
% Increase (Decrease)		(6%)	16%	8%	(10%)
Total Overtime Hours Worked	519,165	509,726	576,379	656,823	573,040
% Increase (Decrease)		(2%)	13%	14%	(13%)
Paid for Aged Comp-Time	\$431,694	\$359,987	\$326,301	\$4,559,144 ¹	\$472,153
% Increase (Decrease)		(17%)	(9%)	1,297%	(90%)
Total Paid Overtime	\$3,913,844	\$4,454,680	\$5,026,812	\$6,751,157	\$5,849,832
% Increase (Decrease)		14%	13%	34%	(13%)
Total Value of Comp-Time Earned	\$6,309,979	\$6,267,670	\$7,316,783	\$8,428,069	\$8,004,192
% Increase (Decrease)		(1%)	17%	15%	(5%)
Total Value of all Overtime Worked % Increase (Decrease)	\$10,223,823	\$10,722,350	\$12,343,595	\$15,179,266	\$13,854,024
		5%	15%	23%	(9%)

¹ This includes a \$4.1 million buy-out in March 1990 of Police Department's comp-time balances.

**In 1991, Paid Overtime Decreased \$901,325, Comp-Time
Earned Decreased \$423,877, And Total Overtime
Decreased \$1,325,202 Compared To 1990**

Our review revealed that paid overtime, comp-time earned, and total overtime all decreased in 1991 compared to 1990. Table II summarizes our comparison of paid overtime and comp-time in 1991 and 1990 by payroll reporting unit.

TABLE II

**SUMMARY OF 1991 PAID OVERTIME AND COMP-TIME
COMPARED TO 1990 PAID OVERTIME AND COMP-TIME
BY PAYROLL REPORTING UNIT¹**

Payroll Reporting Unit	1991						Difference When Compared To 1990		
	Paid Overtime	Comp Time Earned	Total Overtime Value	Percentage To Base Pay	Paid Overtime	Comp Time Earned	Increase (Decrease)		Percentage To Base Pay
							Total Value	Total Value	
Police	\$2,017,114	\$5,651,911	\$7,669,025	11.00%	\$581,006	\$207,466	\$788,472		(2.64%)
Convention & Cultural Facilities	234,869	108,546	343,415	9.21%	(23,566)	13,743	(9,823)		(2.37%)
Fire	1,616,510	256,696	1,873,206	5.29%	271,456	(14,823)	256,633		0.30%
Airport	184,613	200,402	385,015	5.16%	(154,584)	(11,001)	(165,585)		(3.33%)
Water Pollution Control	280,464	256,430	536,894	5.13%	74,781	20,316	95,097		0.31%
Neighborhood Maintenance ¹	571,115	171,841	742,956	4.89%	(221,571)	(66,128)	(287,699)		(2.77%)
General Services	252,908	185,915	438,823	4.46%	(51,146)	(58,103)	(109,249)		(1.64%)
Recreation, Parks & Community Services	131,336	436,998	568,334	3.31%	(26,711)	16,387	(10,324)		(0.34%)
Inactive Police & Fire Retirement	628	2,012	2,640	3.11%	628	2,012	2,640		3.11%
Inactive Federated Retirement	4,748	8,825	13,573	2.89%	3,489	6,260	9,749		1.76%
Personnel	4,761	51,984	56,745	2.36%	(16,787)	12,546	(4,241)		(0.28%)
Public Works	241,376	148,462	389,838	2.32%	5,999	4,511	10,510		(0.18%)
Information Systems	19,459	38,504	57,963	2.30%	(19,751)	(17,605)	(37,356)		(1.92%)
Neighborhood Preservation	26,701	154,783	181,484	2.12%	(90,773)	1,871	(88,902)		(1.30%)
City Manager	31,416	65,145	96,561	2.07%	(39,812)	(61,206)	(101,018)		(2.89%)
Library	122,244	97,841	220,085	2.04%	(36,270)	(27,164)	(63,434)		(0.75%)
Office of Environmental Management	3,622	37,554	41,176	1.96%	(4,176)	21,937	17,761		0.50%
Planning	827	57,028	57,855	1.93%	561	5,864	6,425		0.08%
City Clerk	2,389	5,788	8,177	1.43%	(1,569)	759	(810)		(0.07%)
Housing	4,202	29,423	33,625	1.27%	1,067	7,472	8,539		(0.09%)
Finance	38,052	15,979	54,031	1.21%	(28,940)	(71,041)	(99,981)		(2.52%)
Contract Employees	45,797	4,066	49,863	1.18%	38,118	1,856	39,974		0.94%
City Attorney	13,446	14,585	28,031	0.77%	183	491	674		(0.08%)
City Council	1,206	2,094	3,300	0.28%	501	(720)	(219)		(0.03%)
Office of Policy Analysis	29	201	230	0.26%	(1,031)	(2,076)	(3,107)		(0.71%)
City Auditor	0	1,179	1,179	0.15%	0	1,179	1,179		0.15%
Office of Economic Development	0	0	0	0.00%	0	(113)	(113)		(0.20%)
Office of Cultural Affairs	0	0	0	0.00%	(415)	(3,635)	(4,050)		(2.38%)
CITY-WIDE TOTALS	\$5,849,832	\$8,004,192	\$13,854,024	5.82%	\$(901,325)	\$(423,877)	\$(1,325,202)		(1.27%)

¹ Neighborhood Maintenance includes Traffic Operations.

As shown in Table II, most payroll reporting units reduced paid overtime and comp-time in 1991--the Fire Department, Water Pollution Plant, and contract employees being notable exceptions.

In 1991, The Police Department Had The Highest Percentage Of Overtime To Base Pay

Among other things, our analysis identified those City payroll units with the highest levels of overtime. To compare payroll reporting units of different sizes, we calculated a percentage of each unit's overtime value to its regular earnings exclusive of payments to contract employees. For our purposes, we combined contract employees into one category and made a separate calculation for them. Table III summarizes by payroll reporting unit the percentage of overtime to regular pay for payroll years 1987 through 1991.

TABLE III

**SUMMARY OF OVERTIME BY PAYROLL REPORTING UNIT
ARRANGED BY PERCENTAGE OF OVERTIME TO REGULAR PAY
FOR PAYROLL YEARS 1987 THROUGH 1991**

Payroll Reporting Unit	1987				1988				1989				1990				1991				Percentage of Overtime To Regular Pay	
	Total		Regular		Total		Regular		Total		Regular		Total		Regular		Total					
	Overtime	Earnings	Overtime	Earnings	Overtime	Earnings	Overtime	Earnings	Overtime	Earnings	Overtime	Earnings	Overtime	Earnings	Overtime	Earnings	Overtime	Earnings	Overtime	Earnings		
Police	\$5,322,394	\$49,068,834	\$5,687,537	\$48,974,034	\$6,625,641	\$52,066,844	\$8,457,497	\$62,005,378							\$7,669,025	\$69,734,369	\$33,762,094	\$281,849,459	12.0%			
Convention & Cultural Facilities	41,729	1,174,841	49,365	1,235,664	221,616	2,257,437	353,238	3,048,938							343,415	3,727,870	1,009,363	11,444,750	8.8%			
Airport	472,840	5,276,144	427,306	5,250,577	572,701	6,029,552	550,600	6,484,907							385,015	7,462,059	2,408,462	30,503,239	7.9%			
Traffic Operations	235,008	3,885,152	297,540	3,978,561	340,741	4,516,458	439,888	5,258,409							2,136	59,784	1,315,313	17,698,364	7.4%			
Fire	1,756,790	27,953,109	1,747,654	28,283,867	1,511,182	30,544,357	1,616,573	32,444,469							1,873,206	35,436,038	8,485,405	154,661,840	5.3%			
General Services	375,715	7,638,281	394,698	7,844,024	501,830	8,137,496	548,072	8,988,487							438,823	9,834,549	2,259,138	42,442,837	5.3%			
Water Pollution Control	403,818	8,240,665	376,793	8,251,214	431,534	8,590,944	441,797	9,169,372							536,894	10,470,306	2,190,836	44,722,501	4.9%			
Neighborhood Maintenance	203,948	7,019,537	295,746	7,176,612	359,005	7,680,566	590,767	8,200,567							740,820	15,142,838	2,190,286	45,220,120	4.8%			
Inactive Police & Fire Retiree	0	0	2,278	43,483	1,241	37,592	0	0							2,640	84,958	6,159	166,033	3.7%			
Recreation, Parks, & Comm Serv	365,316	12,500,032	427,010	12,778,278	541,759	14,150,717	578,658	15,840,504							568,334	17,148,713	2,481,077	72,418,244	3.4%			
City Manager	86,297	3,885,214	84,910	3,955,165	121,926	3,278,900	197,579	3,984,433							96,561	4,667,606	587,273	19,771,318	3.0%			
Information Systems	30,910	1,832,826	39,245	1,779,745	66,533	1,885,857	95,319	2,257,701							57,963	2,518,633	289,970	10,272,762	2.8%			
Public Works	473,212	12,043,038	327,749	12,186,594	388,877	13,360,000	379,328	15,200,148							389,838	16,821,452	1,959,004	69,611,232	2.8%			
Finance	71,346	3,197,828	75,943	3,370,156	114,401	3,660,093	154,012	4,136,000							54,031	4,476,659	469,733	18,840,736	2.5%			
Office of Cultural Affairs	0	0	0	0	0	0	4,050	170,094								4,050		170,094		2.4%		
Library	185,738	8,724,110	200,546	8,820,041	232,184	9,435,914	283,519	10,175,112							220,085	10,791,582	1,122,072	47,946,759	2.3%			
Neighborhood Preservation	95,340	6,685,052	167,435	6,472,878	136,136	7,028,767	270,386	7,907,628							181,484	8,560,242	850,781	36,654,567	2.3%			
Office of Policy Analysis	5,962	68,697	4,625	265,000	4,894	243,302	3,337	342,121							230	87,469	19,048	1,006,589	1.9%			
Personnel	25,168	2,379,523	26,682	2,298,523	49,853	2,335,308	60,986	2,308,369							56,745	2,402,106	219,434	11,723,829	1.9%			
Planning	37,038	2,349,760	31,209	2,312,288	43,339	2,344,172	51,430	2,785,287							57,855	2,997,915	220,871	12,789,422	1.7%			
Office of Environmental Management	0	0	0	0	7,247	874,955	23,415	1,602,389							41,176	2,096,192	71,838	4,573,536	1.6%			
City Clerk	6,975	450,682	8,681	536,062	6,014	508,852	8,987	601,416							8,177	572,859	38,834	2,669,871	1.5%			
Inactive Federated Retirement	22,136	3,055,874	14,885	428,578	9,513	609,990	3,824	338,421							13,573	469,019	63,931	4,901,882	1.3%			
Housing	0	0	14,069	1,113,613	15,609	1,501,869	25,086	1,846,130							33,625	2,640,201	88,389	7,101,813	1.2%			
City Attorney	20,939	2,081,708	15,507	2,386,857	25,462	2,527,664	27,357	3,226,790							28,031	3,636,030	117,296	13,859,049	0.8%			
Contract Employees	0	2,512,268	1,345	2,411,622	10,886	3,675,627	9,889	4,155,146							49,863	4,231,722	71,983	16,986,385	0.4%			
City Council	4,034	836,588	2,846	978,781	2,268	1,050,088	3,519	1,101,953							3,300	1,158,279	15,967	5,125,689	0.3%			
City Auditor	1,170	794,784	746	764,405	1,203	765,884	0	690,556							1,179	799,918	4,298	3,815,547	0.1%			
Office of Economic Development	0	0	0	0	0	0	113	55,795							0	176,860	113	232,655	0.0%			
City-wide Totals	\$10,223,823	\$173,654,547	\$10,722,350	\$173,896,622	\$12,343,595	\$189,897,205	\$15,179,226	\$214,326,520							\$13,854,024	\$238,206,228	\$62,323,018	\$989,181,122	6.3%			

As shown in Table III, the Police Department had the highest percentage of overtime to base pay for payroll years 1987 through 1991.

**In 1991, The Top 500 City Overtime Earners
Worked 28,248 Fewer Hours And
Earned \$513,112 Less In Overtime Than In 1990**

Table IV summarizes our comparison of the 500 City employees who earned the most overtime in 1990 and 1991.

TABLE IV
COMPARISON OF THE 500 CITY EMPLOYEES
WHO EARNED THE MOST OVERTIME IN 1990 AND 1991

	<u>1990</u>	<u>1991</u>	<u>Increase (Decrease)</u>
Overtime As A Percentage Of Regular Earnings	19.1 % To 94.0%	16.2% To 64.2%	(2.9%) To (29.8%)
Percentage Of City-wide Overtime Earned	36%	36%	0%
Overtime Hours For Pay	86,712	72,466	(14,246)
Comp-time Hours Earned	127,579	113,577	(14,002)
Total Overtime Value	\$5,487,265	\$4,974,153	(\$513,112)

As shown in Table IV, the top 500 City overtime earners worked 28,248 (14,246 plus 14,002) fewer hours and earned \$513,112 less in overtime than in 1990. Of the 500 top overtime earners in 1991 (shown in Appendix B), 260 are Police Department uniformed personnel. These 260 employees alone earned 25,646 hours of paid overtime worth \$936,264 and 56,435 comp-time hours worth \$2,143,657. The total overtime value for

these 260 employees in 1991 was \$3,079,921. Table V summarizes the 260 uniformed Police Department overtime earners who were among the top 500 overtime earners in 1991 by job class.

TABLE V
SUMMARY OF UNIFORMED POLICE
WHO WERE AMONG THE TOP 500 OVERTIME
EARNERS IN 1991 BY JOB CLASS

<u>Job Class</u>	<u>Number Of Employees</u>	<u>Paid OT Hours</u>	<u>OT Paid</u>	<u>OT Hours For CT</u>	<u>Value Of CT Hours</u>	<u>Total OT Value</u>
Police Officer	204	21,007	\$739,824	45,552	\$1,533,082	\$2,272,906
Sergeant	44	4,191	175,359	11,276	481,333	656,692
Lieutenant	10	433	20,267	2,157	104,542	124,809
Captain	<u>2</u>	<u>15</u>	<u>814</u>	<u>450</u>	<u>24,700</u>	<u>25,514</u>
TOTALS	<u>260</u>	<u>25,646</u>	<u>\$936,264</u>	<u>59,435</u>	<u>\$2,143,657</u>	<u>\$3,079,921</u>
Police Department Totals	1,844	61,300	\$2,017,114	160,038	\$5,651,911	\$7,669,025
Percentage of 260 Uniformed Personnel To Department Total	14.1%	14.8%	46.4%	35.3%	37.9%	40.2%

Legend:

OT - Overtime

CT - Compensatory Time

While the 260 employees shown above comprised only 14 percent of the Department's 1,844 employees, they earned 40 percent of the Department's \$7,669,025 total overtime in 1991.

**In 1991, The Number Of Employees Who Earned
40 Percent Or More Of Their Base
Pay In Overtime Decreased From 39 in 1990 to 23**

Table VI summarizes our comparison of the City employees who earned 40 percent or more of their base pay in overtime in 1990 and 1991.

TABLE VI
COMPARISON OF THE CITY EMPLOYEES
WHO EARNED 40 PERCENT OR MORE OF THEIR BASE PAY
IN OVERTIME IN 1990 AND 1991

	<u>1990</u>	<u>1991</u>	<u>Increase (Decrease)</u>
Number Of Employees	39	23	(16)
Percentage Of Overtime To Base Pay	40.4% To 94%	40.3% To 64.2%	(.1%) To (29.8%)

As shown in Table VI, the number of City employees who earned 40 percent or more of their base pay in overtime decreased from 39 in 1990 to 23 in 1991. Further, the highest percentage of overtime to base pay for a City employee dropped from 94 percent in 1990 to 64.2 percent in 1991. Table VII summarizes by payroll reporting unit and job class those individual employees who earned more than 40 percent of their base pay in overtime during 1991.

Appendix B, following the body of this report, presents by payroll reporting unit and job class the highest 500 individual occurrences of overtime during 1991.

TABLE VII
SUMMARY OF THOSE INDIVIDUAL EMPLOYEES
WHO EARNED MORE THAN 40 PERCENT
OF THEIR BASE PAY IN OVERTIME DURING 1991

Payroll Reporting Unit	Employee Job Class²	Overtime Hours For Pay	Comp-Time Hours Earned	Total Overtime Value	Percentage Of Overtime To Base Pay
Police	Police Sergeant	282.5	892.2	\$37,416	64.2%
Library	Sr. Security Officer	817.0	0.0	\$20,485	58.7%
Police	Police Data Spec II	477.5	446.5	\$17,651	56.9%
Fire	Battalion Chief	1,087.0	0.0	\$40,259	56.6%
Police	Public Safety Dis.	563.0	256.2	\$21,192	54.6%
Police	Police Data Spec II	611.0	69.9	\$14,905	48.0%
Police	Police Officer	482.5	220.7	\$22,470	47.2%
Police	Police Officer	424.0	249.1	\$21,256	46.1%
Police	Police Officer	188.5	652.3	\$22,907	45.5%
Fire	Battalion Chief	825.6	22.3	\$31,257	45.1%
Police	Police Officer	172.0	577.2	\$20,479	44.7%
Police	Police Sergeant	264.0	521.7	\$26,043	44.7%
Neigh. Maint	Sr. Electrician	531.5	113.3	\$24,646	44.0%
Gen. Serv.	Sr. Electrical Sys Tech	239.0	525.0	\$22,873	43.7%
Police	Police Sergeant	264.5	488.7	\$25,120	43.1%
Police	Police Sergeant	50.0	790.3	\$24,771	42.5%
Police	Police Sergeant	225.5	532.8	\$24,752	42.4%
Police	Police Officer	185.5	574.1	\$20,973	41.6%
Police	Police Officer	380.0	120.2	\$16,732	41.5%
Police	Police Officer	371.0	212.6	\$18,708	41.5%
Police	Police Sergeant	294.5	345.9	\$22,292	41.1%
Fire	Fire Fighter	793.0	0.0	\$17,912	41.0%
Police	Police Officer	420.0	201.8	\$20,314	40.3%

Appendix B, following the body of this report, presents by payroll reporting unit and job class the highest 500 individual occurrences of overtime during 1991.

² Excludes 4 employees whose overtime earnings were less than \$1,000 and over 40 percent of their base pay.

TABLE VIII
SUMMARY OF COMP-TIME BALANCES
BY PAYROLL REPORTING UNIT
AS OF END OF PAYROLL YEARS 1990 AND 1991

	1990		1991		Increase (Decrease)		Percentage Increase (Decrease)	
	Comp-time Balances		Comp-time Balances		Increase (Decrease)		Increase (Decrease)	
	Hours	Dollars	Hours	Dollars	Hours	Dollars	Hours	Dollars
Police	249,691.5	\$5,801,531	237,280.6	\$5,860,897	(12,410.9)	\$59,366	(4.97%)	1.02%
RPCS	12,153.8	204,739	10,536.0	190,464	(1,617.8)	(14,275)	(13.31%)	(6.97%)
Fire	9,026.5	207,186	6,691.7	156,654	(2,334.8)	(50,532)	(25.87%)	(24.39%)
Water Pollution Control	5,916.8	117,253	5,702.8	121,359	(214.0)	4,106	(3.62%)	3.50%
General Services	7,459.2	138,318	5,157.3	103,772	(2,301.9)	(\$34,546)	(30.86%)	(24.98%)
Airport	6,076.8	92,475	4,918.7	81,112	(1,158.1)	(\$11,363)	(19.06%)	(12.29%)
Neighborhood Maintenance	3,705.0	64,492	3,760.7	78,361	55.7	13,869	1.50%	21.50%
Public Works	2,565.2	49,979	3,588.1	75,588	1,022.9	25,609	39.88%	51.24%
Neighborhood Preservation	2,967.2	57,344	3,378.0	68,862	410.8	11,518	13.84%	20.09%
Conv & Cult Fac	2,959.4	46,996	3,318.6	55,597	359.2	8,601	12.14%	18.30%
Library	2,862.1	50,290	2,386.5	43,979	(475.6)	(\$6,311)	(16.62%)	(12.55%)
City Manager	4,766.6	91,475	2,242.9	42,448	(2,523.7)	(\$49,027)	(52.95%)	(53.60%)
Planning	1,519.2	29,419	1,445.8	30,180	(73.4)	761	(4.83%)	2.59%
Personnel	1,469.0	25,328	1,242.1	23,694	(226.9)	(1,634)	(15.45%)	(6.45%)
OEM	588.3	8,855	1,178.3	21,325	590.0	12,470	100.29%	140.82%
Finance	3,934.4	69,718	468.7	7,928	(3,465.7)	(61,790)	(88.09%)	(88.63%)
Info System	2,033.3	39,782	906.5	18,215	(1,126.8)	(21,567)	(55.42%)	(54.21%)
Traffic Operations	1,444.5	29,083	0.0	0	(1,444.5)	(29,083)	(100.00%)	(100.00%)
Other	1,080.0	19,521	1,114.0	22,625	34.0	3,104	3.15%	15.90%
TOTALS	322,218.8	\$7,143,784	295,317.3	\$7,003,060	(26,901.5)	(\$140,724)	(8.35%)	(1.97%)

As shown in Table VIII, the Police Department's comp-time liability represents the vast majority of the total City comp-time balance liability. This liability is the result of the Department's high level of overtime occurrence and the provision in the Peace Officers Association's Memorandum of Agreement which allows comp-time to remain "on the books" until taken off or paid off upon termination or retirement. Conversely, other employee memorandums of agreement contain a limitation of one year within which the comp-time must be taken. If not taken off within the one year limit, the comp-time is paid off and charged to the respective department's overtime budget.

To illustrate the extent of the difference between comp-time balances of the Police Department uniformed employees and other City employees, at the end of 1991, 55 Police Department employees had comp-time balances exceeding 500 hours, while only 2 other City employees had comp-time balances over 500 hours. Of the top 500 employee comp-time balances, 472 were in the Police Department.

As part of our review, we compared the highest 500 individual comp-time balances in 1991 to 1990. Our review revealed that the number of comp-time hours for the top 500 individuals decreased from 176,063.1 in 1990 to 171,005.0 in 1991, a decrease of 5,058.1 hours. However, the current value of accumulated comp-time for the top 500 employees increased from \$4,235,552 in 1990 to \$4,336,424 in 1991, a difference of \$100,872. Thus, while the number of accumulated hours of comp-time for the 500 employees with the highest balances decreased from 1990 to 1991, the value of accumulated comp-time for these same employees increased.

This apparent contradiction reflects the effect of valuing accumulated comp-time hours at current pay rates and not the pay rate in effect when an employee earned the comp-time. This also emphasizes the need for the City to reduce, to the extent it can, accumulated comp-time balances in order to avoid future costly comp-time pay-offs.

Appendix C presents, by payroll reporting unit and job class, the highest 500 individual comp-time balances at the end of 1991.

The City Manager's Second Quarterly Overtime Report Had A \$183,101 Error

Based on a City Auditor's Office recommendation in a prior overtime report, the City Manager's Office is preparing quarterly overtime reports. The Second Quarterly Overtime Report was presented to the Finance Committee on February 12, 1992. That report projects an estimated \$6.3 million of overtime liability beyond the overtime budget at the end of fiscal year 1991-92.

During our review of the Administration's Second Quarterly Overtime Report, we noted that the comp-time liability as of December 31, 1991, did not agree with payroll records. As shown on Table IX, we noted a difference of \$183,101.

TABLE IX
OVERTIME AND COMP-TIME INFORMATION
FOR THE FISCAL YEAR 1991-92

Payroll Reporting Unit	Overtime Budget 1991-92	Overtime Budget Paid Out At 12/31/91	Comp-Time Liability At 12/31/91	Estimated Amount To Be Paid Out For Remainder ³ Of Fiscal Year	(Over) Under ⁴ Budget	Percent (Over) Under Budget
Police	\$2,939,585	\$1,264,228	\$5,704,398	\$1,264,228	(\$5,293,269)	(180.0%)
Recreation, Parks & Comm Serv.	162,404	106,966	183,074	101,618	(229,254)	(141.16%)
Streets & Traffic	212,570	148,799	71,966	180,609	(188,804)	(88.82%)
General Services	257,219	146,448	103,707	167,369	(160,305)	(62.32%)
Water Pollution	325,000	160,314	118,888	189,621	(143,823)	(44.25%)
Library	66,000	61,414	43,973	61,414	(100,801)	(152.73%)
Convention & Cultural Facilities	182,880	125,472	55,250	102,659	(100,501)	(54.95%)
City Manager	3,720	14,624	40,374	45,961	(97,239)	(2,613.95%)
Neighborhood Preservation	45,526	22,522	69,967	22,522	(69,485)	(152.63%)
Public Works	117,200	56,256	72,970	56,256	(68,282)	(58.26%)
Information Systems	17,690	9,377	27,652	9,561	(28,900)	(163.37%)
Planning	4,888	210	32,787	125	(28,234)	(577.62%)
Human Relations	0	1,685	23,168	1,685	(26,538)	0.00%
Housing	0	1,194	14,717	1,194	(17,105)	0.00%
Office of Environmental Management	0	880	11,306	880	(13,066)	0.00%
Finance	38,792	17,095	9,361	23,038	(10,702)	(27.59%)
Airport	319,542	110,530	79,781	110,530	18,701	5.85%
Fire	<u>2,293,563</u>	<u>937,985</u>	<u>156,620</u>	<u>937,985</u>	<u>260,973</u>	<u>11.38%</u>
Totals As Reported						
by City Administration	<u>\$6,986,579</u>	<u>\$3,185,999</u>	<u>\$6,819,959</u>	<u>\$3,277,255</u>	<u>(\$6,296,634)</u>	<u>(90.12%)</u>
Errors in Payroll Reporting Unit						
Balances			176,097			
Payroll Reporting Unit Balances not						
Included in Table			<u>7,004</u>			
Subtotal			<u>183,101</u>			
Corrected Total			<u>7,003,060⁵</u>			

It should be noted that according to the City Manager's Office, "*based on prior years, it is estimated that, on average, departments will be able to cover*

³ According to the Manager's Office, the Estimated Amount To Be Paid Out For Remainder Of Fiscal Year is "*based on overtime usage estimates by department for FY91-92 and the percent of total overtime hours paid out in the first and second quarters.*"

⁴ The amounts in this column are derived by taking the Overtime Budget column and subtracting Overtime Budget Paid Out, Comp-time Liability, and Estimated Amount To Be Paid Out For Remainder Of Fiscal Year.

⁵ Approximately \$5,400 of this total is attributable to retired and terminated employees. It is not known by the Payroll Section if these amounts were paid to the former employees (See Page 9).

at least 70% of these dollars [the \$6,296,634 shown above as over budget] with current year vacancy savings or by having employees take comp time off. The remaining 30% represents accrued comp time that becomes a liability which will be paid out in the next fiscal year for all positions with the exception of sworn police officers.”

It should also be noted that the \$176,097 “Errors in Payroll Reporting Unit Balances” shown in Table IX is the result of incomplete reporting of the comp-time information. For example, the Office of Environmental Management did not include the comp-time of \$10,018 earned by an employee who transferred from another department. Also, the Police Department computed its comp-time values by using the average of comp-time paid during the year while other City departments used actual comp-time values. In addition, the Administration did not include comp-time balances totaling \$7,004 for the City Council, the City Clerk’s Office, the City Attorney’s Office, the Office of the City Auditor, the Office of Policy Analysis, and Inactive Federated Retirement.

In order to avoid future reporting errors when the Administration produces its Quarterly Overtime Reports, it should use the Datatrieve programs the City Auditor’s Office uses to produce its reports on overtime. In our opinion, this will save time by eliminating the need for each department to prepare and report their overtime and comp-time information. Alternately, to ensure accuracy and consistency, the Administration should develop guidelines for departments to follow when preparing and reporting overtime and comp-time information.

CONCLUSION

Our review of City-wide overtime in 1991 revealed that all pertinent overtime statistics decreased when compared to 1990. In addition, paid overtime decreased \$901,325, comp-time earned decreased \$423,877, and total overtime decreased \$1,325,202 compared to 1990. Furthermore, the Police Department had the highest percentage of overtime to base pay, the top 500 City overtime earners worked 28,248 fewer hours and earned \$513,112 less in overtime than in 1990, and the number of employees who earned 40 percent or more of their base pay in overtime decreased from 39 in 1990 to 23. Additionally, the City's end-of-year comp-time liability was \$7,003,060--2 percent less than 1990. Finally, the City Manager's Second Quarterly Overtime Report had a \$183,101 error.

RECOMMENDATION

We recommend that:

Recommendation #1:

When gathering information for its Quarterly Overtime Report, the Administration should either use the Datatrieve programs the City Auditor's Office uses to produce its reports on overtime and compensatory time, or develop guidelines for payroll reporting units to follow when preparing and reporting overtime and compensatory time information. (Priority 2)

OTHER PERTINENT INFORMATION

Survey Of Other Jurisdictions

In addition to analyzing the City's overtime costs and liabilities, we surveyed other jurisdictions to find out how they budget and control their overtime. Table X compares the City of San Jose paid overtime budget with those of other jurisdictions. Our survey indicated that the percentage of total paid overtime budget to total salaries budget in the City of San Jose is lower than that of the other jurisdictions we contacted, except that of the City and County of San Francisco.

<u>Jurisdiction</u>	<u>Population</u>	<u>TOTAL BUDGET</u>			<u>POLICE BUDGET</u>			<u>FIRE BUDGET</u>		
		<u>Salaries</u>	<u>Overtime</u>	<u>%</u>	<u>Salaries</u>	<u>Overtime</u>	<u>%</u>	<u>Salaries</u>	<u>Overtime</u>	<u>%</u>
San Jose	782,000	\$264,438,000	\$6,958,000	2.6	\$79,952,000	\$2,940,000	3.7	\$37,923,000	\$2,294,000	6.0
Oakland	372,000	241,960,000	6,700,000	2.8	82,970,000	3,710,000	4.5	43,220,000	2,310,000	5.3
San Diego ⁶	1,130,034	277,372,000	10,012,000	3.6	111,767,000	5,325,000	4.8	47,417,000	3,263,000	6.9
Long Beach	429,000	206,130,000	9,400,000	4.6	79,993,000	3,700,000	4.6	48,006,000	4,800,000	10.0
Phoenix	999,000	372,000,000	18,100,000	4.9	81,000,000	7,400,000	9.1	41,000,000	6,700,000	16.3
Seattle ⁷	500,000	267,264,000	9,983,000	3.7	67,138,000	4,967,000	7.4	47,562,000	2,318,000	4.9
Santa Clara County	1,500,00	527,235,000	16,764,000	3.2						
Sheriff Department					24,674,000	948,000	3.8			
Central Fire District								7,869,000	365,000	4.6
City & County of San Francisco	740,000	1,178,565,000	28,000,000	2.4	105,408,000	4,656,000	4.4	78,894,000	4,613,000	5.8

⁶ General Fund only.

⁷ For 1991 and do not include water, electric utility, and human services departments.

It should be noted that Table X does not include information on comp-time for the jurisdictions surveyed. In addition, as noted on Page 25 of this report, it is anticipated by the City Manager's Office that the City will be approximately \$6.3 million overbudget on overtime liability. This amount includes comp-time that becomes a liability which will be paid out in the next fiscal year for all positions with the exception of sworn police officers. Our survey indicated that the City of San Jose incurs far more comp-time than the other jurisdictions surveyed. For example, the City of Oakland, California, charges the departments' budgets as soon as comp-time is earned. In contrast, the City of San Jose charges the departments' budgets only when comp-time is paid.

In the City of San Diego, California, police officers can accrue comp-time up to only 80 hours. Likewise, in the City and County of San Francisco, California, police officers can accrue comp-time up to only 160 hours. In contrast, the City of San Jose has no limit on the number of comp-time hours that police officers can accrue.

The City of Seattle, Washington, requires employees to use comp-time in the same pay period that they earn it (except that firefighters can accumulate merit credits⁸ to retirement). In contrast, the City of San Jose requires employees, other than sworn police officers, to take time off or accept payment for comp-time within one year after they earn the comp-time. The City of Seattle also holds each department head personally liable for his or her department's overtime amounts exceeding the overtime budget. There is no such requirement in the City of San Jose.

⁸ A merit credit is similar to comp-time and can be chosen in lieu of pay.

Finally, the City and County of San Francisco has codified its requirement for maximum permissible overtime in Section 18.13 of the San Francisco Administrative Code (See Appendix F). The San Jose Municipal Code does not address maximum permissible overtime.

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